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RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHAB/AMEMBASSY ABIDJAN 0001

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SIPDIS
SENSITIVE

DEPT FOR AF/S (MHARRIS), EEB/ODF
TREASURY FOR PATRICK STUART
DEPT PASS TO USTR (WILLIAM JACKSON)
ABIDJAN FOR POL/ECON (ADB WATCH)

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [WZ](#)

SUBJECT: SWAZILAND LOOKS TO DEBT AND FISCAL CUTS TO COVER BUDGET
SHORTFALL

¶1. (U) A dramatic drop in Southern Africa Customs Union (SACU) receipts has forced the Government of the Kingdom of Swaziland (GKOS) to cut ministries' budgets and consider alternate ways to raise money to finance the 2010 budget. SACU receipts represented approximately 60 percent of GKOS's budget, and for FY 2010 Swaziland's receipts were slashed from 6 billion emalangeni (800 million USD) to 1.9 billion emalangeni (253 million USD) due to losses in customs revenue and the cost for Swaziland to repay overpayments by SACU in previous years.

Covering the Shortfall

¶2. (SBU) To address the budget crisis, GKOS plans to make cuts in the budget, take on additional debt, and increase revenue. Prime Minister Barnabas Sibusiso Dlamini has announced there will be a 14 percent cut in all ministries' budgets, although the health, education, and defense ministries are likely to be exempted. To fund the rest of the gap, Principal Secretary for the Ministry of Finance Dumisani Masilela told PolOff that Swaziland hoped to get loans from the African Development Bank (ADB), recoup some costs through better revenue collection enforcement, and request South Africa to delay Swaziland's repayment of SACU money. The Principle Secretary also noted that this year's budget cuts would only be the first set, and that more cuts would come in coming years.

¶3. (SBU) A British national working within the Swazi Finance Ministry on budget items told PolOff that she doubted any customs or revenue changes would bring positive results within the next few years, and put her hopes on raising money through the ADB or through domestic financing. She was encouraged by movements towards more flexible bond offerings that the government could use to finance its debt domestically.

The Royal Budget

¶4. (SBU) Expenditures on the royal family fall under three main budget sections, or "heads," in Swazi budget terms: 1) Head 01 - Statutory Expenditure, which includes salaries; 2) Head 51 - Swazi National Treasury, which include payments for the traditional courts and advisory committees; and 3) Head 60 - Central Transfers, which includes funds for the upkeep of the royal residences. Payments for royal travel generally fall under the Ministry of Foreign Affairs section of the budget. Principle Secretary Masilela told PolOff that reviewing Swazi National Treasury monies is not a core government function, and that it is unclear how the king's office uses this money. In a separate meeting, the British national working on the budget, employed as a Swazi civil servant, told PolOff that internal budget discussions of the Swazi National Treasury funds are brief and vague. The 2009/10 budget estimate for the Swazi National Treasury was 99,248,000 emalangeni (13,233,066 USD).

Capital Projects Halted - But New Airport Not Affected

15. (SBU) The Principle Secretary and Finance Ministry civil servant both confirmed press reports that the GKOS plans to pause government investment in most large capital projects, including a new convention center and stadium. The Finance Ministry contacts emphasized that cuts would not include the new Sikhuphe airport project. Construction and financing of the airport, located between Mbabane and Maputo, would continue.

16. (SBU) Both the Principle Secretary for Finance and the foreign national civil servant told PolOff that the Finance Minister remains interested in the Millennium Challenge Corporation, and that his ministry intends to hold meetings with the Embassy after their budget review is complete to discuss how to improve its standing.

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